

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 AGR-10

/113 W

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R 121754Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1064

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS LONDON 07198

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, EFIN, UK

SUBJECT: PRIME MINISTERILSON ATTEMPTS TO REASSURE ON
ECONOMIC POLICY

BEGIN SUMMARY: IN AN EFFORT TO BOLSTER CONFIDENCE AND RE-
ASSURE BOTH INTERNATIONAL CREDITORS AND DOMESTIC INDUSTRY,
PRIME MINISTER WILSON, IN TELEVISION INTERVIEW ON SUNDAY,
MAY 11, CLAIMED THAT THE .DOOM MERCHANTS WERE WRONG ABOUT
THE BRITISH ECONOMY. HE OFFERED A NEW PLAN FOR ANNUAL
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GOVERNMENT, LABOR, INDUSTRY CONFERENCES TO DECIDE HOW

NATIONAL INCOME SHOULD BE DIVIDED BETWEEN USES. WILSON
CHIDED UNIONS' MISUSE OF POWER. END SUMMARY

1. PRIME MINISTER WILSON RETURNED FROM WASHINGTON TO FIND
A DETERIORATING ECONOMIC SITUATION WITH THE POUND HAVING
WEAKENED MARKEDLY IN THE PAST WEEK AND INDUSTRIAL CONFID-
ENCE AT A NEW LOW AS A RESULT OF CONTINUING ECONOMIC
DETERIORATION (RECESSION AND INFLATION) AND GOVERNMENT
INDUSTRIAL POLICY IDENTIFIED WITH SECRETARY OF STATE FOR
INDUSTRY WEDQWOOD BENN. WILSON WENT TO GREAT LENGTHS IN
HIS TV INTERVIEWS TO EMPHASIZE THAT THE CABINET IS IN
CHARGE OF INDUSTRIAL POLICY, NOT MR. BENN. HE ALSO DE-
CLARED THAT AFTER THE REFERENDUM, MEMBERS OF THE CABINET
WILL BE EXPECTED TO FOLLOW GOVERNMENT POLICY IN THEIR
PUBLIC STATEMENTS (SEE SEPTTEL).

2. WILSON DESCRIBED THE ECONOMIC SITUATION AS SERIOUS BUT
NOT AS BAD AS THE "DOOM MERCHANTS" WERE CLAIMING. HE DID
NOT RULE OUT A JULY BUDGET IF ONE WAS NECESSARY.

3. THE POUND WEAKENED CONSIDERABLY ON FRIDAY (MAY 9),
FALLING 238 POINTS AGAINST THE DOLLAR, AND DEPRECIATED AN
ADDITIONAL 0.6 PERCENTAGE POINTS ON A TRADE-WEIGHTED BASIS.
WILSON ATTRIBUTED THIS MAINLY TO THE WIDE SPREAD PRESS
COVERAGE OF ERIC SEVAREID'S COMMENTARY ON THE CURRENT
STATE OF BRITAIN. WILSON CHARACTERIZED SEVAREID'S
COMMENTS AS ,VERY SENSATIONAL AND CATAclySMIC AND NOT
RELATED TO THE REAL FACTS OR THE TROUBLE OUR PEOPLE ARE
TAKING TO PUT THESE THINGS RIGHT." WILSON REPEATEDLY
POINTED TO IMPROVEMENTS IN THE BALANCE OF PAYMENTS DURING
RECENT MONTHS STATING THAT THIS HAD BEEN HARDLY NOTICED.

4. WILSON ECHOED THE GOVERNMENT'S PUBLICLY STATED POSITION
AGAINST THE USE OF IMPORT CONTROLS WHICH HAVE BEEN STRONG-
LY FAVORED BY THE LABOR UNIONS AND THE LABOR PARTY LEFT.
HOWEVER, HE DID ADD THAT MINISTERS WERE EXAMINING THE USE
OF SELECTIVE IMPORT RESTRICTIONS IN CASES WHERE IT COULD
BE PROVED THAT THE IMPORTS WERE BEING HEAVILY SUBSIDIZED.
TEXTILES AND CLOTHING IMPORTS WERE MENTIONED AS SPECIFIC
ITEMS WHICH WERE BEING CLOSELY EXAMINED.
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5. WILSON OFFERED A VAGUE PLAN FOR A NATIONAL PLANNING
CONFERENCE PRIOR TO EACH ANNUAL BUDGET IN WHICH LABOR,
INDUSTRY AND THE GOVERNMENT WOULD DECIDE HOW NATIONAL
INCOME WOULD BE SPENT AND NATIONAL OUTPUT ALLOCATED.
WILSON'S SUGGESTION, ONLY BRIEFLY AND VAGUELY OUTLINED,
EVIDENTLY CAME AS A SURPRISE TO BOTH THE UNIONS AND TO
INDUSTRY. BOTH HOWEVER, HAVE CAUTIOUSLY WELCOMED THE

PROPOSAL (SEE SEPTTEL).

6. ON THE SUBJECT OF UNION POWER, WILSON "UTTERLY DEPLOR-
ED" THE CHRYSLER UNION REJECTION OF THE COMPANY'S OFFER
FOR PROFIT SHARING AND PARTICIPATION IN MANAGEMENT. HE
AGREED THAT SOME PEOPLE FELT THAT UNION POWER HAD GONE
TOO FAR, AND ADMITTED THAT THIS POWER CAN BE MISUSED.
DESPITE THE PRIME MINISTER'S STATEMENT, WE UNDERSTAND
THE CHRYSLER PROPOSAL IS NOT DEAD.

RICHARDSON

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